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Thank you all for coming.

Today, with the help of two experts on the subject, we will discuss the President's plan to phase out the guaranteed minimum Social Security benefit that American workers expect and rely upon.

When Franklin Delano Roosevelt began Social Security, he designed it to endure, and he did an excellent job. Social Security is the nation's retirement plan, and the only plan for the majority of workers with no pension. But it's much more than a pension plan.

* If you die before you retire, Social Security pays benefits to your dependents.

* If you become disabled before you retire, Social Security provides disability benefits, and after two years, Medicare.

* If you are blessed with a long life, you don't outlive your savings, and inflation does not erode your benefit at age 85 to half its purchasing power at age 65. It's adjusted annually for inflation.

* If Social Security is all you've got, you don't have to worry if it will be there. For sixty-five years it has never been a day late or a dollar short, providing some measure of peace of mind to 47 million beneficiaries and to millions more who view it as an un-erodable foundation upon which to build a retirement program.

Such a successful program for the many has, nevertheless, generated an assault from some in the Republican party, led by George W. Bush, the President of the United States. The President has concluded that it is time to <u>phase out</u> (he would say "save") Social Security, the most universal, most popular and most enduring government program ever.

The President is returning to an old Republican theme, that Social Security is a form of socialism. Henry Ford said it threatened freedom. Alf Landon called it a "cruel hoax." Barry Goldwater sought its repeal. Milton Friedman said it undermined personal liberty. Ronald Reagan's budget director David Stockman called it a "monster," and now President Bush calls it "bankrupt" and inconsistent with his vision of an "ownership society." One of the guru's of the "ownership society," Stephen Moore, recently put it this way: “Social Security is the soft underbelly of the welfare state…If you can jab a spear through that, you can undermine the whole welfare state.”

So the President has launched a campaign to PHASE OUT social security as part of a long-term Republican dream of ending something that works for people, prevents poverty, assists the disabled, and is very efficient.

This is the pluperfect form of the Republican paradox, which is that Republicans hate the government, but they have to run for office to make sure it doesn’t work.

Social Security is one of the best examples of the success of government at reducing poverty and increasing retirement income, so the President has placed a bulls-eye on Social Security and invited Republicans to target practice.

The President would Phase Out Social Security by diverting funds to private stock market accounts. While he has avoided attaching his name to any plan yet, he speaks favorably of a partial privatization scheme which would allow each worker to divert $1,000 each year from the Social Security trust fund into private accounts. For the amount remaining in the traditional system, President Bush would shift the index from wages to prices.

If he succeeds, Social Security will fail in the following ways:

1. Social Security will lose $2 trillion from the existing account. This $2 trillion will no longer be available to meet for living up to the guarantees already made to people who have contributed to the system all their lives and now are expecting to redeem the guarantee.
2. Those who go with the President’s plan will get a private account to offset this loss, but only partially. The average amount you get back from the President’s plan (your remaining Social Security benefits plus the returns from a private account) will be LESS THAN the benefits you have been promised under the existing system.
3. Benefit cuts would be imposed on spouses and children of retired and disabled workers (5 million), spouses and dependents of deceased workers (7 million), and disabled workers (5 million) to funds private accounts for workers.
4. The risk of investment – which is now reduced by sharing the risk system-wide so that no individual is exposed – would now be shouldered by individuals in their private accounts. The risk would be shifted from the government to the individual, ensuring that millions of individuals will be worse off at retirement in any period of market recession.
5. The cost of administering the system will sharply increase because administering individual accounts is much more costly than administering a federal account. Today, under 2 percent of your Social Security taxes are

spent on administration and investment fees. Under privatization, approximately 15-25 percent will be spent on fees charged by Wall Street.

6. Young people would have to shoulder most of the burden of the increased borrowing need to shift to privatization.
7. Women would lose the most by abandoning the existing system, because it is still true that, on average, women work fewer years outside the home, earn less per year and live longer after retiring. This means that a greater proportion of their retirement income comes from Social Security. 60 percent of all SS beneficiaries are women.
8. Shifting the index from wages to prices has dramatic results overtime. Under existing rules, a worker born in 2000 who earns a median income could expect an initial benefit of $26,400, or 43% of pre-retirement income. Under the proposed plan, the same worker would receive $14,600 at retirement, 22% of pre-retirement income. The benefit would be cut almost by half.

The public has been subjected to a great deal of misinformation about Social Security, but a recent Pew Poll shows that there is still overwhelming support for the priority of "keeping Social Security as a program with a guaranteed monthly benefit based on a person's earnings during their working life" (65 percent) rather than "letting younger workers decide for themselves how some of their own contributions to Social Security are invested, which would cause their future benefits to be higher or lower depending on how well their investments perform" (29 percent).

In 1983, with Social Security about to run dry, a bipartisan commission sat down with a similar list of changes and worked out a plan to which every stakeholder contributed. Those changes have ensured the solvency of Social Security through 2042.

In contrast, this president formed a commission made up entirely of people who favored privatizing Social Security, and is attempting to panic people into believing that if we do not act radically now, Social Security is bankrupt.

Let’s put this “crisis” in perspective:

- The projected deficit for Social Security is so small that it can be entirely funded, without any changes in benefits, simply by letting the tax cuts for the top 1 percent of wealthy Americans expire on schedule!
- The projected deficit also disappears if growth in the next few decades matches the growth levels of the last few decades. In other words, there is no deficit if one assumes that growth continues as it has in the past instead of assuming that it declines to historically low levels.
- In 1990, the trustees projected insolvency in the year 2029 – 35 years away. Today, they are projecting the year 2042 – 38 years away. We have essentially done nothing but let the economy grow, and we have added three more years!

I don’t know about you, but I am against radical surgery of Social Security on the basis of the prediction of a mild cough 40 years from now. That’s bad medicine.

Good medicine follows the maxim “First Do No Harm”. We need to plan ahead, not rush headlong. 77 million baby boomers will begin to retire in 2008. Using the very conservative assumptions of the Social Security trustees, by 2018, benefits paid will exceed tax revenues coming in, but Social Security will be sitting on $5 trillion of Treasury bonds, and the interest on these bonds will keep the trust fund growing until it tops out at $6.6 trillion in 2028. Social Security will then have to cash in its bonds, but these bonds will ensure benefit payments in full until 2042, when the last will be liquidated, after which dedicated taxes will fund 73% of scheduled benefits.

Let’s now turn to our experts for their insights.